



To be returned to:

Employment Development Department
FACD-Central Operations, MIC 94
10969 Trade Center Drive, Ste. 203
Rancho Cordova, CA 95670-6140
(916) 464-2500

Employer Account No. _____

Employer to Complete:

FED ID # _____

Name _____

Address _____

SELECTION OF FINANCING METHOD BY A NONPROFIT ORGANIZATION DESCRIBED IN SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE

Services performed in the employ of certain nonprofit organizations are subject to the compulsory provisions of the California Unemployment Insurance Code (CUIC) for both unemployment and disability insurance purposes.

The CUIC provides that nonprofit organizations exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code may elect to reimburse the Unemployment Insurance Fund for the cost of benefits paid, rather than be assigned a tax rate and paying under the contribution rate method.

I. Have you been issued a ruling by the Internal Revenue Service exempting you from federal taxes as a nonprofit organization?

☐ Yes

☐ No

☐ Applied For

If you answered "yes," please enter the section of the Internal Revenue Code under which your exemption is issued:

Section: _____ of the Internal Revenue Code

Attach a copy of your exemption letter. If exemption letter is being applied for, attach copy of Internal Revenue Service Form 1023, Application for Recognition of Exemption Under Section 501(c)(3). Send copy of exemption letter to above address when received from the Internal Revenue Service. Failure to submit a copy of your IRS exemption letter within 6 months will result in a retroactive change of financing to the tax rate method and an assessment for unemployment insurance contributions due for past quarters.

II. Method of financing for unemployment insurance (**check only one**):

☐ A. Payment of contributions by the regular contribution rate method.

☐ B. Prorated cost of benefits paid, Section 803(b)(1), CUIC. Your election will take effect on the first day of the calendar quarter in which the election is filed.

If you elect to finance the cost of unemployment insurance benefits under method "B," you may terminate your election during January of any year after it has been in effect for five complete calendar years. The Department, under Section 803 of the CUIC, may terminate the election of any entity delinquent in the payment of advances or reimbursements required by the Director under this section. After any such termination, the entity may again make an election pursuant to this section, but only if it is not delinquent in the payment of contributions and not delinquent in the payment of advances or reimbursements required by the Director. Please see attached DE 1378F for potential liability under method "B."

NOTE: Wage-earner contributions for disability insurance are still due even if method "B" is approved for financing unemployment insurance benefits. Also, California personal income taxes are required to be withheld from workers' wages and remitted to the Department.

Signature _____

Title _____

Business Telephone Number _____

Date _____